

PIUTE COUNTY SPECIAL SERVICE DISTRICT #1
FINANCIAL STATEMENTS
DECEMBER 31, 2006

C O N T E N T S

	Page
INDEPENDENT AUDITOR'S REPORT	3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS:	
STATEMENT OF NET ASSETS	9
STATEMENT OF ACTIVITIES	10
BALANCE SHEET	11
BALANCE SHEET RECONCILIATION TO STATEMENT OF NET ASSETS	12
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE	13
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	14
NOTES TO FINANCIAL STATEMENTS	15
REQUIRED SUPPLEMENTAL INFORMATION:	
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	25
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND	26
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	28
AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE	30

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

INDEPENDENT AUDITOR'S REPORT

The Honorable Board Members
Piute County Special Service District #1
Junction, Utah 84740

We have audited the accompanying financial statements of the governmental activities of Piute County Special Service District #1, a component unit of Piute County, as of and for the year ended December 31, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Piute County Special Service District #1's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the government activities of Piute County Special Service District #1 as of December 31, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2007, on our consideration of Piute County Special Service District #1's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 4 through 7 and 25 through 26, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

May 31, 2007
Richfield, Utah

Piute County Special Service District #1 Management's Discussion and Analysis

This discussion and analysis of Piute County Special Service District #1's (District) financial performance provides an overview of the District's financial activities for the year ending December 31, 2006. This report is in conjunction with the District's financial statements, which are part of this report.

The purpose of the Piute County Special Service District #1 is to construct, repair and maintain roads and acquire and operate facilities for flood control, hospital, recreation and any other lawful public facilities. The boundaries of the District are all of Piute County except the area in the incorporated towns.

Financial Highlights:

- The assets of the District exceeded its liabilities as of the close of the most recent year by \$288,511 (net assets). Of this amount \$208,568(unrestricted net assets) which may be used to meet its ongoing obligations and to creditors.
- At the close of the current year, the Piute County Special Service District #1 reported \$19,285 of restricted net assets for landfill postclosure costs and construction. See the note in the financial statements regarding closure and postclosure costs.
- The District's total net assets decreased by \$14,723. The revenues were more than the adopted budget amounts and expenditures were more than the adopted budgeted amounts in its general fund.
- At the end of the current year, the District's governmental fund reported ending fund balance of \$228,822, a decrease of \$32,819 in comparison with the prior year. Approximately 92 percent of this amount, \$209,537, is available for spending at the District's discretion (unreserved fund balance).
- At the end of the current year, unreserved fund balance for the general fund, as noted above, was \$209,537, or 28 percent of total general fund expenditures.

Using This Annual Report:

This discussion and analysis are intended to serve as an introduction to Piute County Special Service District #1. The basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements:

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with a difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

Government-wide financial statements-continued:

The statement of activities present information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.

Governmental Funds:

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balance of spendable resources available at the end of the year.

The district has one governmental fund, the general fund.

Reporting the District as a Whole:

The District realizes revenues from several sources; 1) mineral lease revenues received from the State of Utah, 2) landfill fees 3) investment earnings and 4) other sundry revenues.

Contacting the District:

This financial report is designed to provide the citizens with a general overview of the District's finances and to show accountability for the money it receives. If you have questions about his report or need additional financial information, contact Chairman, Verl Bagley, P.O. Box 99, Junction, UT 84740.

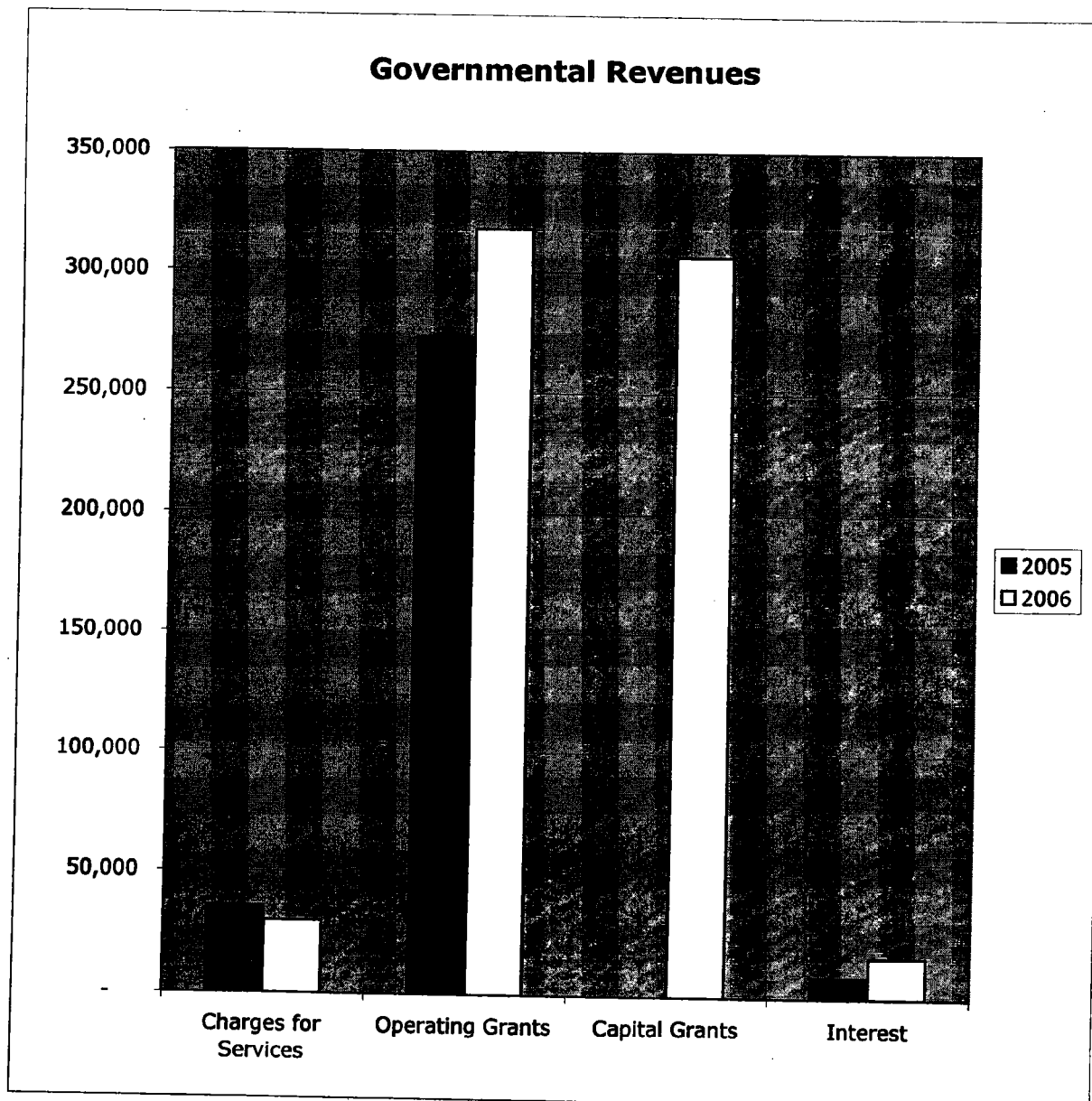
Condensed Financial Statements:

A comparative analysis is provided for 2006 and 2005.

	<u>2006</u>	<u>2005</u>		<u>2006</u>	<u>2005</u>
Assets:			Revenues:		
Current	345,896	256,143	Charges for Services	29,950	35,750
Non-Current	<u>126,943</u>	<u>47,841</u>	Operating Grants	317,684	272,744
Total Assets	<u>472,839</u>	<u>303,984</u>	Capital Grants	306,618	-
			General Revenues	<u>16,811</u>	<u>8,809</u>
Liabilities:			Total Revenues	<u>671,063</u>	<u>317,303</u>
Current	137,577	-	Expenditures:		
Long-Term	<u>46,751</u>	<u>750</u>	Current	<u>685,786</u>	<u>219,647</u>
Total Liabilities	<u>184,328</u>	<u>750</u>	Total Expenditures	<u>685,786</u>	<u>219,647</u>
Net Assets:			Change in Net Assets	(14,723)	97,656
Capital Assets			Beginning Net Assets	<u>303,234</u>	<u>205,578</u>
Net of Debt	60,658	41,593	Ending Net Assets	<u>288,511</u>	<u>303,234</u>
Restricted	19,285	6,248			
Unrestricted	<u>208,568</u>	<u>255,393</u>			
Net Assets	<u>288,511</u>	<u>303,234</u>			

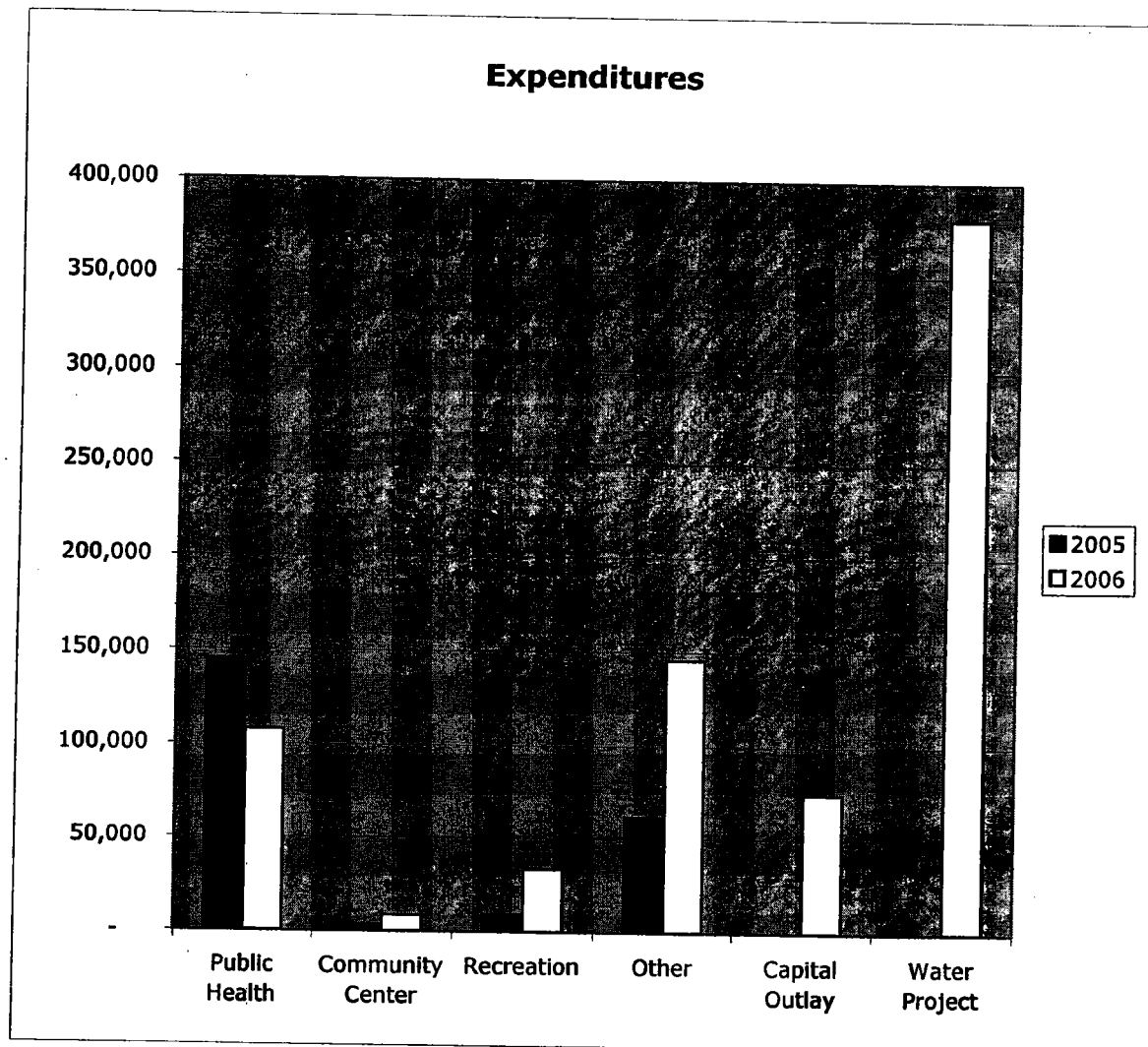
**Piute County Special Service District #1
Governmental Revenues
For The Years Ending December 31, 2005 and 2006**

	2005	2006
Charges for Services	35,750	29,950
Operating Grants	272,744	317,684
Capital Grants	-	306,618
Interest	8,809	16,811
Total Revenues	317,303	671,063



**Plute County Special Service District #1
Government Wide Expenditures
For The Years Ending December 31, 2005 and 2006**

	2005	2006
Public Health	144,817	107,905
Community Center	3,571	8,644
Recreation	9,390	33,802
Other	61,869	145,666
Capital Outlay	-	74,304
Water Project	-	380,561
Total Expenditures	219,647	750,882



BASIC FINANCIAL STATEMENTS

**PIUTE COUNTY SPECIAL SERVICE DISTRICT #1
STATEMENT OF NET ASSETS**

December 31, 2006

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Investments	<u>345,896</u>
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	19,285
Capital Assets (Net of Accumulated Depreciation)	<u>107,658</u>
Total Noncurrent Assets	<u>126,943</u>
TOTAL ASSETS	<u>472,839</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	135,609
Accrued Landfill Closure Costs	750
Accrued Interest Payable	969
Revenue Bonds Payable - Due Within One Year	<u>249</u>
Total Current Liabilities	137,577
Long-Term Liabilities:	
Revenue Bonds Payable - More Than One Year	<u>46,751</u>
TOTAL LIABILITIES	<u>184,328</u>
NET ASSETS	
Investment in Capital Assets, Net of Debt	60,658
Restricted For:	
Landfill	6,566
Construction	12,719
Unrestricted	<u>208,568</u>
TOTAL NET ASSETS	<u>288,511</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>472,839</u></u>

The notes to the financial statements are an integral part of this statement.

**PIUTE COUNTY SPECIAL SERVICE DISTRICT #1
STATEMENT OF ACTIVITIES**

For The Year Ended December 31, 2006

		Program Revenues			Net (Expense)
					Revenue and
	Expenses	Charges for	Operating	Capital	Changes in
		Services	Grants	Grants	Net Assets
Functions/Programs:					Governmental
Governmental Activities:					Activities
General Government	685,786	29,950	317,684	306,618	(31,534)
TOTAL REVENUES	685,786	29,950	317,684	306,618	(31,534)
General Revenues:					
Unrestricted Investment Earnings					16,811
Total General Revenues					16,811
Changes in Net Assets					(14,723)
Net Assets - Beginning					303,234
Net Assets - Ending					288,511

The notes to the financial statements are an integral part of this statement.

**PIUTE COUNTY SPECIAL SERVICE DISTRICT #1
BALANCE SHEET
GOVERNMENTAL FUND TYPE**

December 31, 2006

	General Fund
ASSETS	
Investment - Public Treasurer's Investment Fund	<u>365,181</u>
TOTAL ASSETS	<u><u>365,181</u></u>
LIABILITIES AND FUND EQUITY	
Liabilities:	
Accounts Payable	135,609
Accrued Landfill Costs	<u>750</u>
Total Liabilities	<u><u>136,359</u></u>
Fund Equity:	
Reserved Fund Balance:	
Reserved for Landfill	6,566
Reserved for Construction	12,719
Unreserved Fund Balance	<u>209,537</u>
Total Fund Equity	<u><u>228,822</u></u>
TOTAL LIABILITIES AND FUND EQUITY	<u><u>365,181</u></u>

The notes to the financial statements are an integral part of this statement.

**PIUTE COUNTY SPECIAL SERVICE DISTRICT #1
BALANCE SHEET RECONCILIATION TO STATEMENT OF NET ASSETS**

December 31, 2006

Total Fund Balances - Governmental Fund Types	228,822
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Land	2,000	
Equipment	67,944	
Vehicles	<u>37,714</u>	

Total	107,658
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Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:

Interest Payable	(969)	
Revenue Bonds Payable	<u>(47,000)</u>	

Total	<u>(47,969)</u>
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Net Assets of Governmental Activities	<u><u>288,511</u></u>
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**PIUTE COUNTY SPECIAL SERVICE DISTRICT #1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND TYPE**

For The Year Ended December 31, 2006

	<u>General Fund</u>
REVENUE	
State Sources	317,684
State Grants	140,000
Federal Grants	166,618
Charges for Services	29,950
Investment Earnings	<u>16,811</u>
TOTAL REVENUES	<u>671,063</u>
EXPENDITURES	
Current:	
Public Health	107,905
Community Center	8,644
Recreation	33,802
Other	145,666
Capital Outlay	74,304
Water Project	<u>380,561</u>
TOTAL EXPENDITURES	<u>750,882</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(79,819)
OTHER FINANCING SOURCES (USES)	
Bond Proceeds	<u>47,000</u>
NET CHANGE IN FUND BALANCE	(32,819)
FUND BALANCE - BEGINNING OF YEAR	<u>261,641</u>
FUND BALANCE - END OF YEAR	<u><u>228,822</u></u>

The notes to the financial statements are an integral part of this statement.

PIUTE COUNTY SPECIAL SERVICE DISTRICT #1
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For The Year Ended December 31, 2006

Amounts reported for governmental activities in the statement of activities
are different because:

Net Changes in Fund Balances - Total Governmental Funds	(32,819)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Equipment	(8,239)	
Vehicles	<u>74,304</u>	
Total		66,065

The issuance of long-term debt (e.g., bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment on long-term debt and related items:

Accrued Interest Expense	(969)	
Revenue Bonds Issued	<u>(47,000)</u>	
Total		<u>(47,969)</u>

Changes In Net Assets of Governmental Activities	<u><u>(14,723)</u></u>
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PIUTE COUNTY SPECIAL SERVICE DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Piute County Special Service District #1, a component unit of Piute County, was created by the adoption of a resolution to establish a special service district by the Piute County Commissioners on February 13, 1989. The District was authorized to construct, repair and maintain roads and acquire and operate facilities for flood control, hospital, recreation, and any other lawful public facilities. The general boundaries of the District are all of Piute County except the area in the incorporated towns. The Special Service District's Administrative Control Board consists of three (3) members, each of whom was appointed by the Board of Commissioners. The Board of Commissioners shall appoint the initial one member to serve a two year term and the remaining two members to serve four year terms. The Board members, at their initial meeting, elected a chairperson and a secretary to serve such terms as the board shall determine.

B. Government-Wide and Fund Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the District, the primary government, as a whole. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and accrual. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

PIUTE COUNTY SPECIAL SERVICE DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

State revenue sources and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period, if material. All other revenues items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental fund:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government. The District's only fund is the General Fund

D. Assets, Liabilities and Net Assets or Equity

Deposits and Investments:

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

Investments for the government are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Receivables and Payables:

All trade receivables are deemed 100% collectible and , therefore, no allowance for uncollectibles is shown when receivables are recorded.

PIUTE COUNTY SPECIAL SERVICE DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets:

Capital assets used in the government are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant and equipment of the District is depreciated using the straight line method over the following estimated useful lives:

Equipment	20 Years
Vehicles	10 Years

E. Net Assets

Net assets is the difference between assets and liabilities. Net assets invested in capital assets, net of related debt are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by District legislation or external restrictions by other governments, creditors or grantors.

Fund Equity:

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represent tentative management plans that are subject to change.

F. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

PIUTE COUNTY SPECIAL SERVICE DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 2 - BUDGET PROCESS

Piute County Special Service District #1 has properly adopted required budgets for 2006. Changes to the adopted budget were properly made by resolution and public hearing of the County Commissioners.

The District follows the budgetary practices and procedures required by State law. These requirements are summarized as follows:

1. A formal budget is adopted by the District.
2. The budget is a complete financial plan that identifies all estimated revenues and all appropriations for expenditures for the year. The budget must balance - that is estimated revenues and expenditures must equal.
3. On or before November 1, the District Manager prepares a tentative budget and files it with the Board of Trustees.
4. The tentative budget is a public record and is available for public inspection for at least ten days prior to public hearings held to consider adoption of the budget.
5. Notice of the scheduled public hearing is published at least ten days prior to the meetings.
6. Public hearing are held on the tentatively adopted budget. Members of the public may comment on the budget and recommend changes to the Board of Trustees.

NOTE 3 - DEPOSITS AND INVESTMENTS

Deposits:

At year-end, the carrying amount of the Special Service Districts deposits was \$158,813 and the bank balance was \$120,542. Of this amount \$102,999 was covered by federal depository insurance. Utah State statutes do not require deposits to be collateralized, however, financial institutions must be approved by the State Money Management Council.

Cash and investments as of December 31, 2006, consist of the following:

	<u>Fair Value</u>
Demand Deposits	158,813
Investments - PTIF	<u>206,369</u>
Total Cash and Investments	<u><u>365,182</u></u>

PIUTE COUNTY SPECIAL SERVICE DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Cash and investments listed above are classified in the accompanying government-wide statement of net assets as follows:

Governmental Activities - Unrestricted	345,897
Governmental Activities - Restricted	<u>19,285</u>
Total Cash and Cash Equivalents	<u><u>365,182</u></u>

The Utah Money Management Act (UMMA) established specific requirements regarding deposits of public funds by public treasurers. UMMA requires that the District funds be deposited with a qualified depository which includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements specified in UMMA Section 51, Chapter 7. UMMA provides the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and also defines capital requirements which an Institution must maintain to be eligible to accept public funds. UMMA lists the criteria for investments and specifies the assets which are eligible to be invested in, and for some investments, the amount of time to maturity.

UMMA enables the State Treasurer to operate the Public Treasurer's Investment Pool (PTIF). PTIF is managed by the Utah State Treasurer's investment staff and comes under the regulatory authority of the Utah Money Management Council. This council is comprised of a select group of financial professionals from units of local and state government and financial institutions doing business in the state. PTIF operations and portfolio composition is monitored at least semi-annually by Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations.

Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares.

Deposits and investments for local government are governed by the Utah Money Management Act (Utah Code Annotated, Title 51, Chapter 7, "the Act") and by rules of the Utah Management Council (the Council). Following are discussions of the local government's exposure to various risks related to its cash management activities.

PIUTE COUNTY SPECIAL SERVICE DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk:

Deposits - Custodial credit risk for deposits is the risk that in the event of a bank failure, the local government's deposits may not be recovered. The local government's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the local government to be in a qualified depository, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of December 31, 2006, \$17,543 of the local government's bank balances of \$120,542 were uninsured and uncollateralized.

Credit Risk:

Credit risk is the risk that the counterparty of an investment will not fulfill its obligations. The local government's policy for limiting the credit risk of investments is to comply with the UMMA.

The local government is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

For the year ended December 31, 2006, the local governments has investments of \$206,369 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

Interest Rate Risk:

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The local government manages its exposure to declines in fair value by investments mainly in the PTIF and by adhering to the Money Management Act. The act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Concentration of Credit Risk:

Concentration of credit risk the risk of loss attributed to the magnitude of a government's investments in a single issuer. PTIF falls under the constraints of UMMA in limiting concentrations of investments.

PIUTE COUNTY SPECIAL SERVICE DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 4 - CAPITAL ASSETS

Capital Assets activity for the year ended December 31, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>2,000</u>
Capital Assets Being Depreciated:				
Equipment	46,000	49,954	-	95,954
Vehicles	<u>34,793</u>	<u>24,350</u>	<u>-</u>	<u>59,143</u>
Total Capital Assets Being Depreciated	<u>80,793</u>	<u>74,304</u>	<u>-</u>	<u>155,097</u>
Less Accumulated Depreciation For:				
Equipment	37,950	3,550	-	41,500
Vehicles	<u>3,250</u>	<u>4,689</u>	<u>-</u>	<u>7,939</u>
Total Accumulated Depreciation	<u>41,200</u>	<u>8,239</u>	<u>-</u>	<u>49,439</u>
Total Capital Assets Being Depreciated (Net)	<u>39,593</u>	<u>(8,239)</u>	<u>-</u>	<u>105,658</u>
Governmental Activities Capital Assets (Net)	<u>41,593</u>	<u>(8,239)</u>	<u>-</u>	<u>107,658</u>

Depreciation is allocated to the following activities:

General Government	<u>8,239</u>
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PIUTE COUNTY SPECIAL SERVICE DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 5 - LONG-TERM DEBT

On June 1, 2006, the District issued a Water Revenue Bond, Series 2006 for \$47,000. The bond carries and interest rate of 4.125%. Repayment will begin on July 1, 2007, with payments of \$203 thereafter. Funds were used to extend culinary water lines from Marysville Town to Thompsonville, an unincorporated area.

The following is a summary of long-term debt to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	249	969	1,218
2008	508	1,928	2,436
2009	528	1,908	2,436
2010	550	1,886	2,436
2011	573	1,863	2,436
2012-2016	3,239	8,941	12,180
2017-2021	3,965	8,215	12,180
2022-2026	4,853	7,327	12,180
2027-2031	5,940	6,240	12,180
2032-2036	7,270	4,910	12,180
2037-2041	8,899	3,281	12,180
2042-2046	<u>10,426</u>	<u>1,288</u>	<u>11,714</u>
Total	<u><u>47,000</u></u>	<u><u>48,756</u></u>	<u><u>95,756</u></u>

The following is a schedule of changes in bonds payable:

	Outstanding December 31, <u>2005</u>	<u>Issued</u>	<u>Matured</u>	Outstanding December 31, <u>2006</u>
Water Revenue Bond - 2006	<u>-</u>	<u>47,000</u>	<u>-</u>	<u>47,000</u>

NOTE 6 - RESERVE FUND FOR DEBT SERVICE

The 2006 Water Revenue Bonds issued in June 2006, require a reserve fund of one tenth of the annual debt service, or \$243.60. This is to be paid annually beginning on the first anniversary date of the issuance of the bond (July 1, 2007) and each year thereafter for a period of 10 years.

PIUTE COUNTY SPECIAL SERVICE DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 7 - LANDFILL

Closure and Postclosure Care Cost - Municipal Solid Waste Landfill - Class IV:

State and Federal laws and regulations require the County to place a final cover on its landfill sites when it stops accepting waste. The final closure of these Class IV Landfills shall consist of leveling waste to the extent practicable, covering with a minimum of two feet of earthen material, and seeding with grass according to the closure plan contained in the permit applications. Piute County shall also meet the requirements of UAC R315-302-2(6) by recording with the Piute County Recorder, as part of the record of title, that the property has been used as a landfill. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as expenditure in the General Fund each period based on landfill capacity used as of each balance sheet date. The \$750 reported as landfill closure and postclosure care liability for the Class IV Landfills at December 31, 2006, represents cumulative amount reported to date based on the use of less than 10% of the estimated capacity of the land fill. The County will recognize the remaining estimated cost of closure and postclosure care of \$4,250 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2006. The County expects to close the landfill in the year 2097 or later. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The County is required by State and Federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care. The County is in compliance with these requirements, and, at December 31, 2006, investments of \$6,566 are held for these purposes. These are reported as reserved fund balance on the balance sheet. The County expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

**REQUIRED SUPPLEMENTARY
INFORMATION
"UNAUDITED"**

**PIUTE COUNTY SPECIAL SERVICE DISTRICT #1
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

For The Year Ended December 31, 2006

Budgetary Comparison Schedules:

The Budgetary Comparison Schedules presented in this section of the report are for the District's General Fund.

Budgeting and Budgetary Control:

Budgets for the General Fund are legally required and are prepared and adopted on the modified accrual basis of accounting.

Original budgets represent the revenue estimates and spending authority authorized by the District's Board prior to the beginning of the year. Final budgets represent the original budget amounts plus any amendments made to the budget during the year by the Board through formal resolution. Final budgets do not include unexpended balances from the prior year because such balances automatically lapse to unreserved fund balance at the end of each year.

**PIUTE COUNTY SPECIAL SERVICE DISTRICT #1
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Year Ended December 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Intergovernmentals:				
State Sources	250,000	250,000	317,684	67,684
State Grants	105,000	105,000	140,000	35,000
Federal Grants	-	-	166,618	166,618
Charges for Services	25,200	25,200	29,950	4,750
Revenue Bond Proceeds	-	-	47,000	47,000
Interest Revenue	-	-	16,811	16,811
Total Revenues	380,200	380,200	718,063	337,863
Expenditures:				
Current:				
Public Health	199,250	199,250	107,905	91,345
Recreation	35,000	35,000	33,802	1,198
Community Center	9,000	9,000	8,644	356
Engineering	6,000	6,000	5,251	749
Capital Projects	14,900	14,900	449,614	(434,714)
Other	116,050	116,050	145,666	(29,616)
Total Expenditures	380,200	380,200	750,882	(370,682)
Excess Revenues Over (Under) Expenditures	-	-	(32,819)	(32,819)
Fund Balance - Beginning			261,641	
Fund Balance - Ending			228,822	



COMPLIANCE SECTION

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Board Members
Piute County Special Service District #1
Junction, Utah 84740

We have audited the financial statements of the governmental activities of Piute County Special Service District #1, a component unit of Piute County, as and for the year ended December 31, 2006, which collectively comprise Piute County Special Service District #1's basic financial statements and have issued our report thereon dated May 31, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Piute County Special Service District #1's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Piute County Special Service District #1's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Piute County Special Service District #1's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency or combination of control deficiencies, that adversely affects Piute County Special Service District #1's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Piute County Special Service District #1's financial statements that is more than inconsequential will not be prevented or detected by Piute County Special Service District #1's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Piute County Special Service District #1's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

The Honorable Board Members
Piute County Special Service District #1
Page -2-

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Piute County Special Service District #1's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Piute County Special Service District #1 in a separate letter dated May 31, 2007.

This report is intended solely for the information and use of management and board members and is not intended to be and should not be used by anyone other than these specified parties.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

May 31, 2007
Richfield, Utah

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

The Honorable Board Members
Piute County Special Service District #1
Junction, Utah 84740

We have audited the accompanying financial statements of the governmental activities of Piute County Special Service District #1, a component unit of Piute County, for the year ended December 31, 2006, and have issued our report thereon dated May 31, 2007. As part of our audit, we have audited Piute County Special Service District #1's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended December 31, 2006. The County received the following major State assistance program from the State of Utah:

Mineral Lease (Department of Transportation)

The District also received the following nonmajor grant that is not required to be audited for specific compliance requirements: (However, this program was subject to testwork as part of the audit of Piute County Special Service District #1's financial statements.)

State Grant (Department of Agriculture)

Our audit also included testwork on the District's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

- Public Debt
- Cash Management
- Purchasing Requirements
- Budgetary Compliance
- Property Tax
- Other Compliance Requirements

The management of Piute County Special Service District #1 is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The Honorable Board Members
Piute County Special Service District #1
Page -2-

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in a separate management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Piute County Special Service District #1, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major State assistance programs for the year ended December 31, 2006.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

May 31, 2007
Richfield, Utah

PIUTE COUNTY SPECIAL SERVICE DISTRICT #1

MANAGEMENT LETTER

DECEMBER 31, 2006

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

March 31, 2007

The Honorable Board Members
Piute County Special Service District #1
Junction, Utah 84740

During our audit of the funds of Piute County Special Service District #1 for the year ended December 31, 2006, we noted certain areas needing corrective action in order for the District to be in compliance with state laws and regulations. We also found a circumstance that, if improved, would strengthen the District's accounting system and control over its assets. These items are discussed below for your consideration.

COMPLIANCE:

Budgetary Compliance

State law requires that officers and employees of an entity shall not incur expenditures or encumbrances in excess of the total appropriations for each separate activity.

Finding:

During the audit we noted that total expenditures were in excess of budget by \$370,682. This was due mainly to the Thompsonville Water Project that was not budgeted.

Recommendation:

We recommend that a public hearing be held and the total revenues and expenditures increased for all proposed expenditures of the District.

Response:

The above finding was discussed with Piute County Special Service District #1 officials and they concur with the recommendation.

Fund Balance

Special Service Districts are allowed to have 25% of total revenues as unreserved fund balance.

Finding:

We noted that the present unreserved fund balance of \$209,537 is in excess of 25% of total revenues by \$141,771.

Recommendation:

We recommend that the District budget the excess fund balance in the next year or establish a capital project fund and transfer the excess fund balance to this fund for planned capital projects.

Response:

The above finding was discussed with Piute County Special Service District #1 officials and they concur with the recommendation.

INTERNAL CONTROLS:

Accounting Systems

Finding:

We noted during the audit that the District maintains three separate accounting systems, one on a computer program and the other two are done by hand.

Recommendation:

We recommend that all assets, liabilities, revenues and expenditures be kept on the present Caselle system.

Response:

The above finding was discussed with Piute County Special Service District #1 officials and they concur with the recommendation.

We would like to take this opportunity to thank Piute County Special Service District #1's personnel for the cooperation and assistance given to us during the course of our examination.

Respectfully submitted,


KIMBALL & ROBERTS
Certified Public Accountants